

December 21, 2007

Maine Milk Commission Special Meeting Minutes
Deering Building, Room 233
Augusta, Maine 04333

Notices for the December 21, 2007 meeting were distributed to Commission members, intervenors and other interested parties November 26, 2007 and sent to the Secretary of State's Office for posting on November 26, 2007.

Commission Present: Chair, Michael Wiers, Katherine O. Musgrave, Colon Durrell, John Joseph Jr. and Tim Drake, *ex-officio* for Agriculture Commissioner Bradstreet.

Commission Absent: None

Department Officials: None

Staff Present: Stan Millay, Executive Director, and Carol Gauthier, Office Associate and Audrey Shorty, Resource Administrator.

Legal Counsel: Amy Mills, Assistant Attorney General.

Intervenors Present: John Blake, H.P. Hood, Inc., Tom Brigham Oakhurst Dairy, John Economy, Garelick Farms of Maine and Julie-Marie Bickford Executive Director, Maine Dairy Industry Association (MDIA)

Others Present: Fred and Ruby Hardy, MDIA, Dale Cole MDIA, Chuck Farrand, Harold Larrabee, Walter Fletcher, John Stoughton, Brian Wright dairy farmers and Dr. George Criner and Lisa Bragg both from the University of Maine and also special guest Stan Musgrave.

Meeting called to order at 1:30 p.m. by chair Michael Wiers.

Stan Millay introduced Tim Drake who is a member of the Commission *ex-officio* for Agriculture Commissioner Bradstreet.

Agenda Item 1: Minutes: Katherine Musgrave made a motion to accept the minutes of the November 26, 2007 meeting as presented. John Joseph seconded. Motion passed 4-0.

Agenda Item 2: Amy Mills, Assistant Attorney General: No Report.

Agenda Item 3: Minimum Prices: Stan Millay reported that there is a prevailing premium of \$1.10/cwt on Class I for January 2008 reported by Dairy Marketing Services (DMS) and Agri-Mark Cooperative. In addition to this premium, both Agri-Mark and DMS reported that an additional \$0.75/cwt for milk that comes from producers who do not treat their cows with the rBST hormone will be in affect. Federal Order One Class I price for January is \$24.22. He explained that schedules were prepared using this information with a producer cost of production adjustments (COPA) of \$0.71/cwt. and \$1.11/cwt. for comparison purposes. He stated that these price schedules were for discussion purposes and that the Commission was not bound to them, and should make their pricing determination after hearing testimony.

Tom Brigham asked the Commission to consider using \$0.71/cwt. as the cost of production adjustment because the Class I price had increased \$0.93/cwt. from December.

Julie-Marie Bickford asked the Commission to consider increased costs of producers before rolling back the cost of production from \$1.11/cwt. where it was for December minimum prices.

Dale Cole reported that his hauling charges had increased by \$0.19/cwt. He said that \$1.11/cwt. for a cost of production adjustment was reasonable.

Dairy producer Harold Larrabee provided information from his farm that indicated many of his costs had gone up. For example, he stated that his hauling costs had increased by 12%, repair costs were up 10%, bedding costs had increased 14% fertilizer costs were up over 26% and diesel fuel prices had increased 32 cents per gallon. He also reported that his feed costs had increased. He said that pipe costs had more than doubled.

John Blake asked how these increases in cost compared to the increases in milk payments during the same time period.

Mr. Larrabee replied that he did not have those numbers but believed his costs had gone up faster.

Dale Cole said that he did not have exact numbers, but reported that his costs had increased more than the increases he had received in his milk check. He stated that the low milk prices in 2006 were well below producer costs and would not represent a meaningful comparison.

John Joseph made a motion to set the cost of production adjustment at \$1.11 and adopt schedule #01-08 that included a \$24.22/cwt. Class I Price as announced by Federal Northeast Milk Market Administrator, plus \$1.85/cwt. as prevailing in neighboring states, plus \$0.00/cwt. for a handling fee and plus a \$0.20/cwt. processor assessment, for a total dealer Class I cost of \$27.38/cwt. Katherine Musgrave seconded.

Motion passed 4-0.

Agenda Item 4: Maine Monthly Price Survey: The Commission reviewed the Maine price survey for December 2007 which included prices for Augusta and Bangor and the IAMCA milk price survey for October and November.

Agenda Item 5: Next Scheduled Meetings:

- January 15, 2008, Tuesday 10:30 a.m. Agriculture Trade Show, Augusta Civic Center
- January 18, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- February 22, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- March 21, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- April 18, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME
- May 23, 2008, Friday 1:30 p.m.
Room 233, Department of Agriculture, Food & Rural Resources, Augusta ME

Agenda Item 6: Other:

1. **Milk Commission Budget:** The Commission reviewed the latest budget summary.
2. **Retail Margins:** Stan Millay reported that the Public Hearing on retail margins will be held January 18, 2008 at 1:30 pm prior to the regular Commission meeting. Comment period will close January 29, 2008. The Commission will consider testimony and adopt any changes to Chapter 27 at the February 2008 regular meeting. Any new retail margins adopted will not be effective until the March meeting for April minimum prices. The Commission would need to hold a special meeting at least a week prior to the February 22, 2008 regular meeting in order to meet the rulemaking time lines to have new margins effective for March prices.
3. **Cost of Production Study:** Dr. Criner reported that the proposed cost of production study is on track to be completed in 2008. Tim Dalton is leaving the University of Maine and his position is filled for a period of three years by Lisa Bragg. Lisa reported that producer surveys will be going out at the end of January and asked that all producers fill them out and return them in a timely manner.
4. **Rite Aid:** Stan reported that Rite Aid has been offering a 10% discount to certain people on Tuesdays and because of their already low milk prices caused below minimum prices sales and violated the Commission law. Stan reported that he had been sent a letter to Rite Aid as directed by the Commission at the last meeting outlining their obligations under the law and asking for a plan of how they intended to have compliance in the future. They have not responded as of this meeting.
5. **Agriculture Trade Show:** The Commission will hold a special meeting at the Trade Show. Featured speakers include Erik Rasmussen Northeast Milk Market Administrator, Leon Graves from Dairy Marketing Services and Robert Wellington from Agri-Mark Cooperative. George Criner and Lisa Bragg will also attend and give a brief overview of the retail margin study and provide information about the producer cost study.
6. **Milk Promotions:** The Commission reviewed a milk promotion proposal by Malt-O-Meal.
7. **Dealer Cost and Accounting System:** Stan Millay provided a copy of Chapter 5, Dealer Cost and Accounting System to the Commission. He pointed out that the rule was last reviewed in 1994 and should be discussed again. He asked that Commission members, intervenors and other interested parties review the rule and bring suggestions to the next meeting.

Julie-Marie Bickford informed the Commission that Congress had put together a budget and adjourned for the holidays. She stated that the Senate and House would begin work on the differences between each of their respective versions of the farm bill when they come back to work in January. She said that dairy had a stake in the outcome and that she and others would be watching closely.

Agenda Item 7: Executive Session: The Commission did not go into Executive Session.

Adjourned: 2:15 p.m. (45 minutes)

Stanley Millay, Executive Director, Maine Milk Commission.